

Performance and Growth of Primary Agricultural Cooperative Societies (PACs) in India

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Abstract

Cooperative banks/credit institutions constitute the second tier of the Indian banking system. Primary Agricultural Cooperative Societies (PACs) have a strong network of credit institutions in India, especially in the rural areas of India. The financial condition of Indian . Primary Agricultural Societies cannot be said to be good at present. Many banks have gone bankrupt and others are on the verge of mergers or acquisitions. Even considering these facts, it is important to study the financial analysis aspects of these Societies. Therefore, this paper aims to examine the financial analysis and Primary Agricultural Societies in India within the scope of cost management, C.D. etc

Keywords: Short-term cooperatives cost of management, C.D ratio, equity, loans, deposits, investment.

1. Introduction

Primary Agricultural Societies is a financial institution consisting of its members who are the owners and customers. Primary Agricultural Societies generally consist of persons engaged in the agri activities or community or engaged in recreational activities. Primary Agricultural Societies generally provide various banking and financial services (loans, deposits, bank accounts etc.) to their members. Primary Agricultural Societies differ from subsidiaries in terms of organization, objectives, and standards. In many countries, they are supervised and regulated by financial institutions and are required to comply with prudential banking regulations, which puts them on a par with participating banks. Depending on the country, this management and control may be carried out directly by government agencies or may be delegated to cooperative organizations or central institutions. Primary Agricultural Societies is a system of individual and commercial banking established by cooperatives. Primary Agricultural Societies accept deposits and loans in various parts of the world. Primary Agricultural Societies includes retail banking conducted by credit unions, mutual savings and credit societies, building societies and cooperative societies for

Review of Earlier Studies:

Review Many early studies have been made and many suggestions have been explored to improve the efficiency and effectiveness of financial institutions. Sathye, Namasivayam (2006) studies the performance of Madurai District Central Cooperative Bank Limited. The performance has been quite good in terms of deposits and loans. Perevalov, Gimadij and Dobrodie (2000), among others, have studied the efficiency and effectiveness of the banks used in the literature and also by

the Indian Banking Association and the Reserve Bank of India. Urs and Chitambaram (2000) studied the performance of 14 District Central Cooperative Banks (DCCBs) in Kerala on the basis of 23 parameters and found that the banks performed poorly due to low capital and poor remittances from DCCBs. Dayanandan and Shashikumar (1999) compared the performance of DCB in Kerala with the performance of the state and found that the performance of the state in terms of ownership, financing, advance loans etc. lagged behind the performance of the country. The deposits are slightly lower than the business in the country. But unless the amount of credit decreases, the profits of the banks will not increase. Revell (1980) used interest rate differential as a measure of performance of US companies. It is defined as the difference between income and expenses divided by total assets. C.R.Reddy conducted a survey on activities of Primary Cooperative Agricultural Development Banks. He believes that linking credit to crop industry is an important part of monitoring and compliance.

2. Objectives of Study :

- 2.1 To study the growth of Primary Agricultural Societies in India by selecting Indicators
- 2.2 To identify the deposit, credit and certificate of deposit of Primary Agricultural Society's members.
- 2.3 To Study of the development of Primary Agricultural Societies in India.
- 2.4 Understanding working capital and administrative costs in Primary Agricultural Societies

3. Methodology of the Study :

The research method to be followed, instruments used, research methods and format of data to be collected, analytical tools to be used and rules regarding the type of decision making.

3.1 Sample of the Study:

This article aims to study the economic performance of rural organizations. Banks, particularly financial institutions, have been deliberately selected for the study including their role and participation in the development of the economy among branches, members, employees, deposits, loans, deposits, resources, management fees and investments.

3.2 Limitation of Study :

This article only studies the Primary Agricultural Societies in India. However, the findings from the study of a single bank may not be the same. This study only considers the performance of Primary Agricultural Societies during the 5-year period from 2014-15 to 2018-19. Information in Instruments

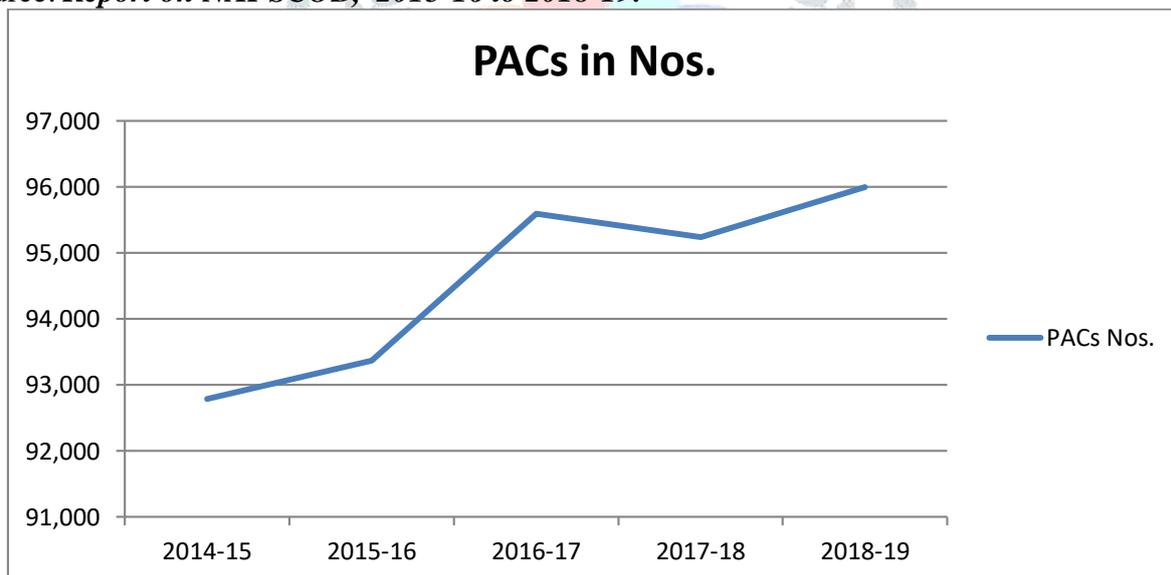
4. Data in Tools :

The study is mainly based on secondary data obtained from the records of National Federation of State Cooperative Banks (NFSCOB), Reserve Bank of India bulletins and other websites, documents, books and guide news related to Primary Agricultural Societies. The data was collected for five years from 2014-15 to 2018-19. Various statistical tools (mean, S.D, C.V, analysis) were used to analyze the data to arrive at the conclusion of the study.

Table No:4.1 GROWTH OF PRIMARY AGRICULTURAL CO-OPERATIVES SOCIETIES IN INDIA

Year	PACs	
	Nos.	Total Membership (₹ in Lakhs)
2014-15	92,789	1,21,088
2015-16	93,367	1,27,322
2016-17	95,595	1,31,235
2017-18	95,238	1,30,547
2018-19	95,995	1,32,029
Mean	94596.8	128444.2
S.D	1426.80	4484.25

Source: *Report on NAFSCOB, 2015-16 to 2018-19.*



The above table – 4.1 reveals that, the growth of Short term Co-operatives in terms of number of banks, and Membership. PACs have Positive growth from 2014-15 to 2018-19 (i.e., 92,789 to 95,995) and further fluctuating from 2017-18 to 2018-19.

Table No: 4.2 TREND OF OWNED FUNDS (CAPITAL & RESERVES) AND BORROWINGS OF SHORT TERM CO-OPERATIVES IN INDIA

Year	PACs	
	Owned Fund (₹ in Lakhs)	Borrowings (₹ in Lakhs)
2014-15	21,67,487	99,98,011
2015-16	24,44,318	1,12,69,029
2016-17	32,98,187	1,24,83,095
2017-18	30,94,170	1,28,33,322
2018-19	42,19,506	1,38,92,245
Mean	3044733.6	12095140.4
S.D	802625.9	1500451.4
C V	26.36	12.40

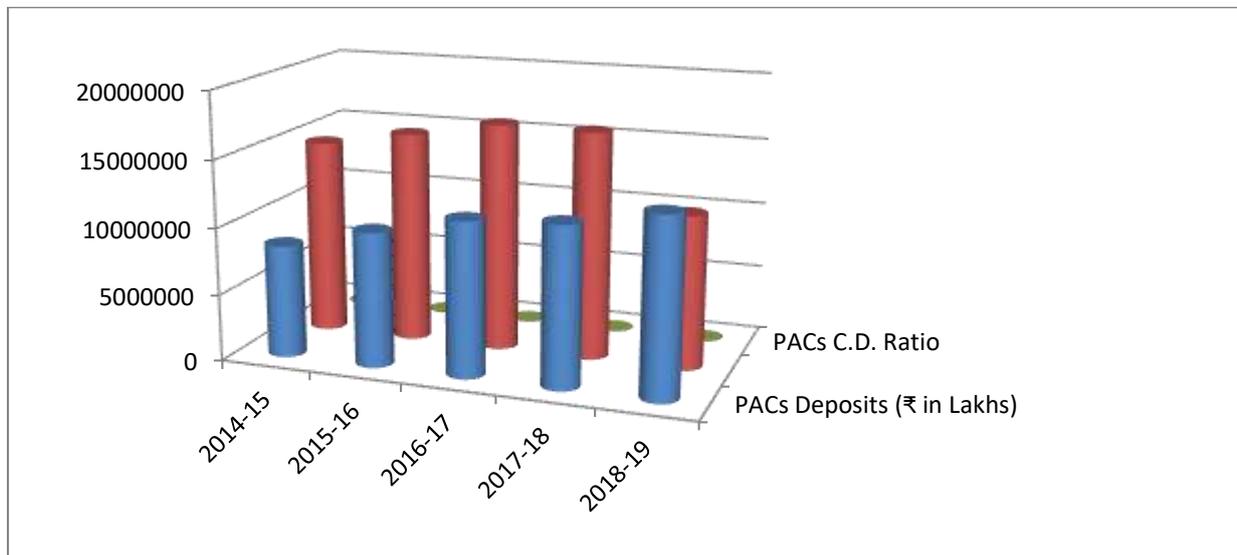
Source: *Report on NAFSCOB, 2015-16 to 2018-19.*

The above table analyse the funds of PACs and their trend in terms of Owned Fund (Capital plus Reserves) and Borrowings. PACs Owned Fund is ₹ 21,67,487 lakhs in 2015-16, it has been drastically increased and reached ₹ 42,19,506 lakhs in 2018-19 with a Deviation of 802625.9.

TABLE NO.4.3 DEPOSITS, CREDITS AND CD RATIOS OF SHORTS TERM CO-OPERATIVES IN INDIA (` . IN LAKHS)

Year	PACs		
	Deposits (₹ in Lakhs)	Loans Outstanding (₹ in Lakhs)	C.D. Ratio
2014-15	8461633	14722557	173.99
2015-16	10106548	15848725	156.82
2016-17	11588420	17045925	147.09
2017-18	11963233	16962968	141.79
2018-19	13301036	11504806	86.50
Mean	11084174	15216996.2	141.24
S.D	1855731.6	2281299.3	32.97
C.V	16.74	14.99	23.34

Source: *Report on NAFSCOB, 2009-10 to 2018-19.*



The above Table and Graph reveals that The credit-deposit(CD) ratio is a metric that shows the proportion of a societies deposit that are used as loans. Its calculated by dividing the total loans by the total deposits. A healthy CD ratio is generally between 80% and 90% . The above analysis is proved healthy CD lies in the year 2018-19.

5. Conclusion

The financial performance of the Primary Agriculture cooperative societies in India is analyzed using different statistical techniques. From the above analysis, it is concluded that the growth of Members ship have registered Positive. The owned funds, and borrowings of are showing increased almost during the study period, with a nominal percentage of variation. Finally it suggested that government should formulate specific policies and they should be implemented for the boost up of Primary Agricultural Cooperative Societies in India.

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